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CENTRAL INTELLIGENCE AGENCY

BOARD OF NATIONAL ESTIMATES

44

ONI DECLASSIFICATION/RELEASE INSTRUCTIONS ON FILE

8 November 1951

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

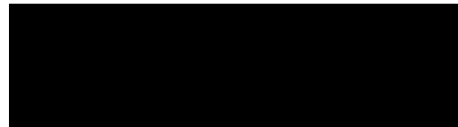
SUBJECT: NIE-32: Effects of Operations in Korea on the Internal Situation in Communist China, dated 10 July 1951

ENCLOSURE: Revision proposed by the Office of Naval Intelligence

1. The Board of National Estimates has reviewed the revision proposed by the Office of Naval Intelligence and forwards it for your consideration.

2. The Board concurs in the proposed revision and recommends that the words "thus far" be inserted in the next to last sentence: "Western trade restrictions have had little apparent effect thus far on the volume of China's trade, although much of the trade is now being conducted on a clandestine basis."

3. It is requested that concurrence be telephoned to the undersigned by 12:00 Tuesday, 13 November. (Code 143, ext. 563)



Executive Secretary

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ONI RECOMMENDATION FOR CORRECTION TO  
NIE-32: EFFECTS OF OPERATIONS IN KOREA ON  
THE INTERNAL SITUATION IN COMMUNIST CHINA

This estimate was approved by the IAC on 5 July and published on 10 July 1951. Paragraph 8, Part II discusses the Chinese Communist foreign trade with the West. The third sentence of this paragraph states as follows: "Data on Western flag shipping with Hong Kong and Chinese Communist ports since 1 April indicate that such shipping has fallen off significantly and we believe that the volume of trade has correspondingly declined."

The foregoing was based upon information on this shipping received prior to 1 July 1951. Subsequent information on shipping during the second quarter calendar 1951 indicates that Paragraph 8, Part II, NIE-32 is incorrect.

The following table depicts Western Maritime Trade with China for the first two quarters, 1951:

<u>1951</u>			
<u>1st Quarter</u>		<u>2nd Quarter</u>	
Jan Feb Mar		Apr May June	
<u>No. Ships</u>	<u>Known GT</u>	<u>No. Ships</u>	<u>Known GT</u>
479	2,203,102	710	3,569,551

- NOTE: (1) "Known G.T." includes only vessels for which tonnage is known, and does not represent an estimate or a complete figure.
- (2) The above tonnage figures comprise an absolute minimum. The actual tonnage engaged in Communist trade is substantially greater.
- (3) Figures in this memorandum include only ships of 1,000 gross tons or over.

Suggested Rewrite of Para. 8, Page 3 of NIE 32.

"Foreign trade with the West was at high levels in 1950. We estimate that during the first quarter of 1951 this trade at least remained at the 1950 levels, primarily because of the sharp increase in imports chiefly of strategic materials through Hong Kong. Data on Western flag shipping with Hong Kong and Chinese Communist ports since 1 April indicate that such shipping has fallen-off-significantly-and-we-believe-that-the-volume-of-trade has-correspondingly-declined. steadily increased, with a corresponding increase in the volume of trade. We believe that Western trade restrictions are almost entirely responsible for this decline in shipping and that these restrictions will have an increasingly adverse effect on Communist China's import capabilities during the remainder of the year. Western trade restrictions have had little apparent effect on the volume of China's trade, although much of the trade is now being conducted on a clandestine basis. Smuggling and trade from Communist and non-cooperating non-Communist nations will probably has apparently increased, and will effect to some extent the effect of these restrictions."

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Suggested OIR Revision of ONI Proposal for NIE 32/1

"Foreign trade with the West was at high levels in 1950. We estimate that during the first half ~~quarter~~ of 1951, this trade at least remained at, and probably was higher than, 1950 levels, primarily because of the sharp increase in imports, chiefly of strategic materials through Hong Kong. Similarly, data on Western flag shipping with Hong Kong and Chinese Communist ports during the second quarter of 1951 indicate that such shipping has steadily increased with a corresponding increase in the volume of trade. During the third quarter of 1951, however, recorded exports from Hong Kong to Communist China declined sharply, presumably due to the application of more stringent Western export controls. But there is considerable evidence to indicate that Communist China has been able ~~partially~~ to offset the effects of Western trade restrictions through increased imports from the Soviet bloc, from non-cooperating non-Communist nations, and through smuggling channels."

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